

TRAVERSE CITY HOUSING COMMISSION
TRAVERSE CITY, MICHIGAN

FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006
AND
REPORTS ON INTERNAL CONTROL AND
COMPLIANCE

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name Traverse City Housing Commission	County Grand Traverse
Fiscal Year End June 30, 2006	Opinion Date November 27, 2006	Date Audit Report Submitted to State December 18, 2006	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

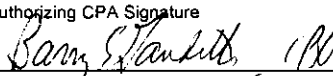
YES NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☐ ☒ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input checked="" type="checkbox"/>			
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>			
Other (Describe)	<input checked="" type="checkbox"/>	Report on Compliance and Internal Control		
Certified Public Accountant (Firm Name) Barry E. Gaudette, CPA, PC		Telephone Number (231) 946-8930		
Street Address 1107 E. Eighth Street		City Traverse City	State MI	Zip 49686
Authorizing CPA Signature 		Printed Name Barry E. Gaudette, CPA		License Number 11050

TRAVERSE CITY HOUSING COMMISSION
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INTRODUCTION

Barry E. Gaudette, CPA, P.C.

CERTIFIED PUBLIC ACCOUNTANT

1107 East Eighth Street
Traverse City, Michigan 49686
(231) 946-8930
Fax (231) 946-1377

Independent Auditor's Report

Board of Commissioners
Traverse City Housing Commission
Traverse City, Michigan

I have audited the accompanying financial statements of the business-type activities of the Traverse City Housing Commission, Michigan, a component unit of the City of Traverse City, as of and for the year ended June 30, 2006, which collectively comprise the Housing Commission's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Housing Commission's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Traverse City Housing Commission, Michigan, as of June 30, 2006, and the respective changes in financial position and cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Traverse City Housing Commission
Independent Auditor's Report
Page Two

In accordance with *Government Auditing Standards*, I have also issued my report dated November 27, 2006, on my consideration of Traverse City Housing Commission, Michigan's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of my audit.

The management's discussion and analysis comparison information on pages 3 through 6, are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming an opinion on the financial statements that comprise Traverse City Housing Commission, Michigan's basic financial statements. The accompanying financial data schedule is presented for the purpose of additional analysis and is not a required part of the basic financial statements of the Housing Commission. The accompanying schedule of expenditures of federal awards, is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of Traverse City Housing Commission, Michigan. The combining financial statements, schedule of expenditures of federal awards, and the financial data schedule have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

 Gary E. Taullett, CPA, PC

November 27, 2006

TRAVERSE CITY HOUSING COMMISSION
TRAVERSE CITY, MICHIGAN
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD & A)
June 30, 2006
=====

The Traverse City Housing Commission, created in 1966, by the City of Traverse City provides housing to meet the community's needs for affordable low-income housing. As management of the Housing Commission, we offer readers this narrative overview and analysis of the financial activities of the Housing Commission for the fiscal year ended June 30, 2006. We encourage readers to consider the information presented here in conjunction with the Housing Commission's financial statements.

Financial Highlights

The financial statements for Traverse City Housing Commission consists of four programs. The first is owned housing, consisting of 135 units of public housing, the second is the capital funding program, the third is the housing choice voucher program consisting of 171 qualifying low-income residents for rental housing, and the Housing Commission has a fourth program that is the administration of CDBG grant monies.

Traverse City Housing Commission had total revenues of \$1,906,316 that includes \$326,140 in rental payments and \$1,404,271 in federal assistance. Total revenues increased by \$57,084 from the prior year, in part, because of the federal assistance for capital grants increased by \$44,911 from the prior year. Total operating expenses were \$1,758,947, that includes \$289,864 in administrative expenses, \$148,686 in utilities, \$244,818 in ordinary maintenance and operation, \$50,360 in general expenses and \$799,433 in housing assistance payments, and \$220,978 in depreciation expense. The operating expenses decreased by \$123,762, in part, because of wages decreasing by \$34,608 and HAP payments to landlords decreased by \$86,582 from the prior year.

The assets of the Housing Commission exceeded its liabilities at the close of the most recent fiscal year by \$2,783,797. The Housing Commission's total net assets increased by \$147,369 from the prior year. The increase can be attributed, in part, to the operating expenses being reduced by \$123,762 from the prior year operating expenses.

Total assets of the Housing Commission were \$2,926,229, of which \$597,933 consisted of current assets and \$137,759 of current liabilities. There was a net increase in total assets of \$121,727 from the prior year.

Statement of Management Operations

The Traverse City Housing Commission presents this fiscal year that ended June 30, 2006, Statement of Management Operations. In general, the Commission believes it has completed its fiscal year with the financial resources necessary to successfully complete its ongoing mission of providing housing, and housing opportunities, to low and moderate income families in the City and County of Traverse City, Michigan.

1. Analysis of Overall Financial Position and Results of Operations.

The Traverse City Housing Commissions' overall financial position continues on an upward trend. While financial growth has slowed this fiscal year, staffing remained the same while the TCHC continued toward the goal of keeping costs at a minimum.

2. Capital Asset and Long Term Debt Activity

Capital expenditures have occurred this fiscal year through the Capital Fund Program(CFP). Those expenditures included 16 apartment kitchen renovations, community room renovation, replacement of Exit Signage, roof vent repair, smoke detector/CO2 Detectors and cleaning, repair and seal coating of a building. The TCHC anticipates capital expenditures in the next fiscal year, using CFP monies for 9 apartment kitchen renovations, 9 water heater replacements, site sign replacement and landscaping, etc.

The TCHC intends to apply for participation in the Capital Fund Finance Program(CFFP) in order to continue renovations to its properties to include but not limited to apartment kitchen renovations, water heater replacement and shower value replacement, etc.

3. Current Facts, Decisions, or Conditions Effect on Net Assets or Results of Operations.

At the present time, there are no plans in effect that will affect the financial position of the Traverse City Housing Commission.

Questions and comments regarding this Management Discussion and Analysis may be directed to:

Ilah Honson, Executive Director
10200 E. Carter Center
Traverses City, Michigan 49684

Overview of the Financial Statements

The financial statements included in this annual report are those of a special-purpose government engaged only in a business-type activity. The following statements are included:

- * Statement of Net Assets - reports on the Housing Commission's current financial resources with capital and other assets and other liabilities.
- * Statement of Revenues, Expenses, and Changes in Fund Net Assets - reports the Housing Commission's operating and non-operating revenues, by major source along with operating and non-operating expenses and capital contributions.
- * Statement of Cash Flows - reports the Housing Commission's cash flows from operating, investing, capital, and non-capital activities.

Financial Analysis of the Housing Commission

The following combined condensed statement of net assets show a summary of changes for the years ended June 30, 2006 and 2005.

	<u>2006</u>	<u>2005</u>	<u>Net Change</u>
Current assets	\$ 597,933	\$ 431,480	\$ 166,453
Restricted cash	31,573	31,977	(404)
Property and equipment	<u>2,296,723</u>	<u>2,341,045</u>	<u>(44,322)</u>
Total assets	<u>\$ 2,926,229</u>	<u>\$ 2,804,502</u>	<u>\$ 121,727</u>
Current liabilities	\$ 137,759	\$ 164,785	\$ (27,026)
Noncurrent liabilities	<u>4,673</u>	<u>3,289</u>	<u>1,384</u>
Total liabilities	<u>142,432</u>	<u>168,074</u>	<u>(25,642)</u>
Net assets:			
Invested in capital assets	2,296,723	2,341,045	(44,322)
Unrestricted	<u>487,074</u>	<u>295,383</u>	<u>191,691</u>
Total net assets	<u>2,783,797</u>	<u>2,636,428</u>	<u>147,369</u>
Total liabilities and net assets	<u>\$ 2,926,229</u>	<u>\$ 2,804,502</u>	<u>\$ 121,727</u>

Financial Analysis of the Housing Commission (continued)

The following table summarizes the Statement of Revenues, Expenses, and Changes in Net Assets of the Housing Commission for the years ended June 30, 2006 and 2005.

	<u>2006</u>	<u>2005</u>	<u>Net Change</u>
Operating revenues:			
Dwelling rent	\$ 326,140	\$ 337,819	\$ (11,679)
Nondwelling rent	<u>459</u>	<u>30,666</u>	<u>(30,207)</u>
Total operating revenues	<u>326,599</u>	<u>368,485</u>	<u>(41,886)</u>
Operating expenses:			
Administration	289,864	330,151	(40,287)
Tenant services	4,808	2,739	2,069
Utilities	148,686	147,418	1,268
Ordinary maintenance and operation	244,818	250,649	(5,831)
General expenses	50,360	60,733	(10,373)
Housing assistance payments	799,433	886,015	(86,582)
Depreciation	<u>220,978</u>	<u>205,004</u>	<u>15,974</u>
Total operating expenses	<u>1,758,947</u>	<u>1,882,709</u>	<u>(123,762)</u>
Non-operating revenue:			
Interest income	6,387	3,194	3,193
Other income	78,370	53,507	24,863
Fraud recovery	1,138	540	598
Gain on sale of fixed assets	240	922	(682)
Other government grants	89,311	71,813	17,498
Capital grants	160,234	115,323	44,911
Operating grants	<u>1,244,037</u>	<u>1,235,448</u>	<u>8,589</u>
Total nonoperating revenue	<u>1,579,717</u>	<u>1,480,747</u>	<u>98,970</u>
Change in Net Assets	<u>\$ 147,369</u>	<u>\$ (33,477)</u>	<u>\$ 180,846</u>

FINANCIAL STATEMENTS

TRAVERSE CITY HOUSING COMMISSION
STATEMENT OF NET ASSETS
June 30, 2006
=====

ASSETS

Current Assets:

Cash	\$ 398,083
Accounts receivable-HUD	8,849
Accounts receivable-other governments	8,479
Accounts receivable-tenants	2,294
Allowance for bad debts	(918)
Accrued interest receivable	2,485
Investments-unrestricted	151,161
Prepaid expenses and other assets	<u>27,500</u>

Total Current Assets	<u>597,933</u>
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Restricted cash	<u>31,573</u>
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Property, Plant, and Equipment:

Land	297,665
Buildings	5,199,301
Equipment	312,133
Building improvements	<u>222,062</u>
	6,031,161
Less: accumulated depreciation	<u>(3,734,438)</u>

Net Property, Plant, and Equipment	<u>2,296,723</u>
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Total Assets	<u><u>\$ 2,926,229</u></u>
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See notes to financial statements

TRAVERSE CITY HOUSING COMMISSION
STATEMENT OF NET ASSETS (CONTINUED)
June 30, 2006
=====

LIABILITIES and NET ASSETS

Current Liabilities:

Accounts payable-trade	\$ 19,173
Accounts payable-other government	16,428
Tenant security deposit liability	31,261
Accrued expenses	33,843
Accrued liabilities-other	31,573
Deferred revenues	<u>5,481</u>

Total Current Liabilities	137,759
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Noncurrent Liabilities:

Accrued compensated absences	<u>4,673</u>
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Total Liabilities	<u>142,432</u>
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Net Assets:

Invested in capital assets	2,296,723
Unrestricted net assets	<u>487,074</u>

Total Net Assets	<u>2,783,797</u>
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Total Liabilities and Net Assets	<u><u>\$ 2,926,229</u></u>
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See notes to financial statements

TRAVERSE CITY HOUSING COMMISSION
STATEMENT OF ACTIVITIES
Year Ended June 30, 2006
=====

OPERATING REVENUES:

Dwelling rent	\$ 326,140
Non-dwelling rent	<u>459</u>
Total operating revenues	<u>326,599</u>

OPERATING EXPENSES:

Administration	289,864
Tenant services	4,808
Utilities	148,686
Ordinary maintenance and operation	244,818
General expenses	50,360
Housing assistance payments	799,433
Depreciation	<u>220,978</u>
Total operating expenses	<u>1,758,947</u>

Operating income(loss)	<u>(1,432,348)</u>
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NONOPERATING REVENUES:

Investment interest income	6,387
Other income	78,370
Fraud recovery	1,138
Gain on sale of fixed assets	240
Other government grants	89,311
Capital grants	160,234
Operating grants	<u>1,244,037</u>

Total nonoperating revenues	<u>1,579,717</u>
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Change in net assets	147,369
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Net assets, beginning	2,609,778
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Prior period adjustments, equity transfers and correction of errors	<u>26,650</u>
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Net assets, ending	<u>\$ 2,783,797</u>
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See notes to financial statements

TRAVERSE CITY HOUSING COMMISSION
STATEMENT OF CASH FLOWS
Year Ended June 30, 2006

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CASH FLOWS FROM OPERATING ACTIVITIES:

Cash received from dwelling and nondwelling rents	\$ 324,736
Cash payments to other suppliers of goods and services	(1,225,209)
Cash payments to employees for services	(313,719)
Cash payments for in lieu of taxes	<u>(21,583)</u>
Net cash (used) by operating activities	<u>(1,235,775)</u>

**CASH FLOWS FROM NONCAPITAL
FINANCING ACTIVITIES:**

Tenant security deposits	(2,467)
FSS deposits	404
Fraud recovery	1,138
Operating grants	1,273,853
Other revenue	78,370
Other government grants	<u>80,832</u>
Net cash provided by noncapital financing activities	<u>1,432,130</u>

**CASH FLOWS FROM CAPITAL AND RELATED FINANCING
ACTIVITIES:**

Gain on sale of fixed assets	240
Capital grants	160,234
Payments for capital acquisitions	<u>(176,656)</u>
Net cash (used) by capital and related financing activities	<u>(16,182)</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Investment purchases	(3,570)
Receipts of interest and dividends	<u>4,073</u>
Net cash provided by investing activities	<u>503</u>

Net increase(decrease) in cash	180,676
Cash, beginning	<u>217,407</u>
Cash, ending	<u>\$ 398,083</u>

TRAVERSE CITY HOUSING COMMISSION
STATEMENT OF CASH FLOWS (CONTINUED)

Year Ended June 30, 2006

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RECONCILIATION OF CASH AND CASH EQUIVALENTS
PER STATEMENT OF CASH FLOWS TO THE BALANCE
SHEET:

Cash and cash equivalents per balance sheet	\$ 398,083
Restricted cash	31,573
Investments-unrestricted	<u>151,161</u>
	<u>\$ 580,817</u>

SCHEDULE RECONCILING OPERATING INCOME
TO NET CASH FLOW FROM OPERATING
ACTIVITIES:

Operating income(loss)	\$(1,432,348)
Adjustments to reconcile operating (loss) to net cash(used in) operating activities:	
Depreciation	220,978
Bad debt allowance	(223)
Adjustments	272
Changes in assets and liabilities:	
(Increase) decrease in assets:	
Accounts receivable-tenants	185
Prepaid expenses	(1,191)
Increase (decrease) in liabilities:	
Accounts payable	(22,468)
Accrued wage/payroll taxes payable	780
Accrued compensated absences	5,847
Accrued payments in lieu of taxes	(5,155)
Accrued liabilities	(404)
Deferred revenues	<u>(2,048)</u>
Net cash (used) by operating activities	<u><u>\$(1,235,775)</u></u>

See notes to financial statements

TRAVERSE CITY HOUSING COMMISSION
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

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NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Traverse City Housing Commission (the Housing Commission) have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Housing Commission's accounting policies are described below.

The Reporting Entity

The Traverse City Housing Commission is a **component unit** of the City of Traverse City, a Michigan home rule city. The Housing Commission is a Public Housing Agency created by the City of Traverse City on December 30, 1966, consisting of a five member board appointed by the City Manager and charged with the responsibility to provide and service housing to meet the community's needs for affordable low-income housing. These financial statements include all of the resources and activities of the Traverse City Housing Commission over which the Housing Commission exercises operational control or which have financial significance to the Housing Commission. The Housing Commission has no component units and is not responsible for any jointly governed organizations.

Grants and Other Intergovernmental Revenues

The Housing Commission has entered into contracts with the U.S. Department of Housing and Urban Development (HUD). Under Contract C-3084, the Housing Commission constructed, maintains and operates 135 units of subsidized housing in the City of Traverse City, Michigan. The Housing Commission manages a Housing Choice Voucher program of subsidies for 171 qualifying low-income residents for rental housing. The Housing Commission receives an annual operating subsidy determined under a performance formula for units owned by the Housing Commission and an administrative fee based on the number of households it assists under its Housing Choice Voucher program.

The Housing Commission, also, has a program for the administration of CDBG grant monies.

Fund Financial Statements

The Housing Commission only has *business-type activities*, which rely to a significant extent on fees and charges for support. The

fund financial statements include the Statement of Net Assets, Statement of Revenues, Expenses and Changes in Net Assets and the Statement of Cash Flows.

The Housing Commission is considered one single Enterprise Fund and does not have any governmental activities.

Fund Accounting

The accounts of the Housing Commission are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self balancing accounts that comprise its assets, liabilities, equity, revenues, and expenses. The Housing Commission's fund structure includes only proprietary funds. Under generally accepted accounting principles, proprietary funds are grouped into two broad categories - enterprise and internal service funds. Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs of providing goods and services to the general public on a continuing basis be financed or recovered through user charges; or (b) where laws or regulations require that the activity's costs of providing services including capital costs (such as depreciation or debt service) be recovered with fees and charges rather than with taxes and similar revenues. All of the Housing Commission's funds are operated as enterprise type proprietary funds whereby costs of services are to be recovered through user charges or subsidies from other governmental units.

Basis of Accounting

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements, regardless of the measurement focus. The Housing Commission's financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting.

Under the economic resources measurement focus, all assets and all liabilities (whether current or noncurrent) are included in the balance sheets of the individual funds. Their reported net assets are segregated into invested capital assets and unrestricted net asset components. Operating statements present increases (revenues) and decreases (expenses) in net assets.

Under the accrual basis of accounting, all revenues are recorded when earned, regardless of when received, and all expenses are recorded when a liability is created, regardless of when paid.

In accordance with Governmental Accounting Standards Board Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, Traverse City Housing Commission has

elected to apply only those Financial Accounting Standards Board Statements issued prior to November 30, 1989 to its proprietary funds.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Housing Commission considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

Insurance

The premiums on all major insurance policies are charged to prepaid insurance and amortized over the life of the policy.

Budgets and Budgetary Accounting

The Housing Commission is required under each of its HUD contracts to adopt an annual operating budget which must be approved by HUD. Budgetary data and comparison of actual and planned performance is reported directly to HUD based on specific program reporting requirements.

Receivables

All receivables are reported at their net value, reflecting where appropriate, by the estimated portion that is expected to be uncollectible. The Housing Commission estimates the uncollectible portion of tenant rents as a percentage of gross tenant rents using prior collection experience.

Short-term Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds. Receivables and payables arising from these transactions are classified as "due from other funds" and "due to other funds" on the statement of net assets.

Fixed Asset Capitalization

Fixed assets with a cost to acquire or construct of \$1,500 or more are capitalized and depreciated over their estimated useful lives. Depreciation is provided on a straight-line basis using the following estimate of useful lives:

Buildings	40 years
Building improvements	5 - 15 years
Equipment	5 - 10 years

Net Assets

The Housing Commission classifies its net assets as follows:

- a. Invested in capital assets net of related debt represents all fixed assets acquired by the Housing Commission (both pre-FY 2001 and post-FY 2001) reduced by accumulated depreciation and related capital projects debt issued to purchase those assets.
- b. Unrestricted net assets indicate that portion of net assets which is available for use in future periods.

Operating Revenues and Expenses

The Housing Commission includes in operating revenues resources that are derived or received from exchange transactions. Resources derived principally from non-exchange transactions are excluded from operating income. Operating expenses include the cost of providing services, excluding depreciation. Depreciation, amounts expended for capital additions and amounts expended for retirement-of-debt are excluded from operating expenses. Depreciation expense is charged to invested capital assets rather than unrestricted net assets.

Use of Estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires the use of management estimates. The Housing Commission uses estimates of useful lives of its fixed assets and other estimates in preparing its financial statements. Actual results may differ from the Housing Commission's estimates.

Vacation and Sick Leave

The Housing Commission allows permanent employees to accumulate the following compensated absences:

- * Vacation time, employees can accrue up to one-half of the accrued vacation leave.
- * Sick pay/personal leave, employees can accrue up to twenty-four (24) hours of short-term medical/personal leave.

The amount of accumulated benefits at June 30, 2006, was \$15,897, and is recorded as a liability in the applicable funds.

Post Employment Benefits

The provision for pension cost is recorded on an accrual basis, and the Commission's policy is to fund pension costs as they accrue.

Income Taxes

As a component unit of a Michigan home rule city, the Housing Commission is exempt from federal and state income taxes. The Housing Commission has no unrelated business income.

NOTE 2: DEPOSITS, INVESTMENTS AND CREDIT RISK

The Housing Commission maintains cash and investment accounts in the Low Rent Program and Housing Choice Voucher funds. Landlord checks are processed through the Housing Choice Voucher account. All other receipts and disbursements are processed through the Low Rent Program accounts.

Deposits

At year-end, the carrying amount of the Housing Commission's deposits were \$429,456 and the bank balance was \$463,923 of which \$442,703 was covered by federal depository insurance and \$21,220 were collateralized by securities held by its agent in the Housing Commission's name. The Housing Commission has \$200 in petty cash on hand.

Investments

The Housing Commission had the following investments in certificates of deposit as June 30, 2006:

Members Credit Union	(CD #16525-101)	\$ 6,547
Northwestern Bank	(CD #450009654)	42,433
Huntington Bank	(CD #7183375859)	<u>102,181</u>
		<u>\$ 151,161</u>

Interest Rate Risk - The Housing Commission does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk - The Housing Commission's investment policy approves the following securities and deposit accounts: U.S. Treasury bills, U.S. Treasury certificates, notes and bonds, certificate of deposits, commercial business savings accounts, money market accounts, obligations which are lawful investments for fiduciary and trust funds under the jurisdiction of the United States Government, Series E savings bonds and Series H savings bonds.

The Housing Commission shall deposit excess monies in the general fund and all other operating fund accounts in time, savings, or share accounts with banks or other institutions, to the extent that all unsecured deposits or accounts are insured by: the Federal Deposit Insurance Corporation (FDIC), National Credit Union Share

Insurance Fund(NCUSIF), or State Insurance plans which are approved by the United States Comptroller of the currency as an eligible depository of trust funds of National Banks, respectively.

All excess monies over the insured limits of the financial institution or banks, the Housing Commission shall obtain collateralization of excess funds at 100% of the principal value. Such collateralization shall be in the form of U.S. Treasury Notes or Bonds in the name of the Housing Commission held in trust by the financial institution or bank. The Housing Commission may choose collateralization in the following form and percentages:

- | | |
|-------------------------------------|------------|
| 1. U.S. Treasury Notes | - 100%; or |
| 2. U.S. Treasury Notes and/or Bonds | - 75% and |
| 3. Mortgage Backed Securities | - 25% |

In any such case the collateralization shall be no less than 100% of value of the funds in all accounts. The financial institution shall provide a statement of the collateralization at a minimum once every quarter to the Housing Commission.

The Housing Commission has no investment policy that would further limit its investment choices.

Concentration of Credit Risk - The Housing Commission places no limit on the amount the Housing Commission may invest in any one issuer. All of the Housing Commission's investments are reported in the Enterprise Fund.

A reconciliation of cash as shown on the statement of net assets is as follows:

Cash on hand	\$ 200
Carrying amount of deposits	429,456
Investments	<u>151,161</u>
Total	<u>\$ 580,817</u>
Cash and cash equivalents:	
Enterprise activities	\$ 615,284
Enterprise activities - deposits in transit	795
Enterprise activities - checks written in excess of deposits	<u>(35,262)</u>
Total	<u>\$ 580,817</u>

Restricted cash is comprised of escrow balances for the Family Self Sufficiency Program (FSS) in the Low Rent and Housing Choice Vouchers Program.

NOTE 3: RECEIVABLES AND PAYABLES

Tenant Accounts Receivable

Tenant accounts receivable are recorded at gross amount and reduced by the estimated amount uncollectible. At June 30, 2006, the receivables were \$2,294 with \$918 estimated as uncollectible. Bad debt expense was \$2,430.

Accounts Receivables - HUD

Amounts due from HUD represents funding due the Housing Commission for actual expenses for the programs financed. Balances at June 30, 2006 were as follows:

Capital Fund Program	<u>\$ 8,849</u>
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Amounts due to HUD represents overfunding of actual expenses for the programs financed. Balances at June 30, 2006 were as follows:

Housing Choice Voucher Program	<u>\$ -</u>
--------------------------------	-------------

Inter-fund Receivables, Payables, and Transfers

Interfund receivables and payables are recorded as "due from other programs" and "due to other programs".

The amounts of interfund receivables and payables are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
Low Rent Program	\$ 27,765	Housing Choice Voucher	
CDBG Program	9,851	Program	\$ 6,066
		Capital Fund Program	8,849
		CDBG Program	12,850
		Low Rent Program	<u>9,851</u>
	<u>\$ 37,616</u>		<u>\$ 37,616</u>

The capital fund program did not transfer any monies to the Low Rent Program during the fiscal year ended June 30, 2006.

NOTE 4: CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2006 was as follows:

	<u>Balance 06/30/05</u>	<u>Additions/ Transfers</u>	<u>Retirements/ Transfers</u>	<u>Balance 06/30/06</u>
Low Rent Program				
Land	\$ 297,665	\$	\$	\$ 297,665
Buildings	4,945,231	67,881		5,013,112
Furniture, equip. & machinery - dwellings	100,607	3,906	3,960	100,553
Furniture, equip. & machinery - administration	277,342	27,822	133,299	171,865
Building improvements	<u>190,049</u>	<u>48,887</u>	<u>35,440</u>	<u>203,496</u>
	5,810,894	<u>\$ 148,496</u>	<u>\$ 172,699</u>	5,786,691
Less accumulated depreciation	<u>(3,655,146)</u>	<u>\$ (202,361)</u>	<u>\$ 145,656</u>	<u>(3,711,851)</u>
Total	<u>\$ 2,155,748</u>			<u>\$ 2,074,840</u>
Capital Fund Program				
Buildings	\$ 125,380	\$ 103,799	\$ 42,990	\$ 186,189
Furniture, equip. & machinery - dwellings	3,906	6,529	3,906	6,529
Furniture, equip. & machinery - administration	52,606	5,469	27,822	30,253
Building improvements	<u>30,313</u>	<u>18,566</u>	<u>30,313</u>	<u>18,566</u>
	212,205	<u>\$ 134,363</u>	<u>\$ 105,031</u>	241,537
Less accumulated depreciation	<u>(26,908)</u>	<u>\$ (18,617)</u>	<u>\$ 25,871</u>	<u>(19,654)</u>
	<u>\$ 185,297</u>			<u>\$ 221,883</u>
Housing Choice Voucher Program				
Furniture, equip. and machinery- administration	<u>\$ 2,933</u>	<u>\$</u>	<u>\$</u>	<u>\$ 2,933</u>
	2,933	<u>\$</u>	<u>\$</u>	2,933
Less accumulated depreciation	<u>(2,933)</u>	<u>\$</u>		<u>(2,933)</u>
Total	<u>\$</u>			<u>\$</u>
Combined Totals				<u>\$ 2,296,723</u>

NOTE 5: INVESTED IN CAPITAL ASSETS

Changes in invested in capital assets (formerly contributed capital) in the enterprise fund type for the year ended June 30, 2006, consist of the following:

	<u>Invested in Capital Assets</u>
Balance, beginning	\$ 2,341,045
Investment in fixed assets, net of depreciation paid for from operations net of depreciation, not included in contributed capital	<u>(44,322)</u>
Balance, ending	<u>\$ 2,296,723</u>

These reclassifications are investments in fixed assets, net of depreciation paid for from operations.

NOTE 6: OTHER INFORMATION**A. Pension Plan**

The Traverse City Housing Commission participates in a Deferred Compensation Plan under section 457 of the Internal Revenue Code of 1986, as amended. The annuity contract is with the Variable Annuity Life Insurance Company (VALIC). New employees may become a Participant on the first day of employment and an employee may become a Participant as of the first day of any calendar month by entering into a Deferred Compensation Agreement with respect to compensation not yet earned. The Housing Commission matched up to 3.0 percent of the employees wage for the fiscal year ended June 30, 2006 and paid \$7,484 to VALIC for the employer's portion.

B. Current Vulnerability Due to Certain Concentrations

The Housing Commission operates in a heavily regulated environment. The operations of the Housing Commission are subject to the administrative directives, rules and regulations of federal, state and local regulatory agencies, including, but not limited to, HUD. Such administrative directives, rules and regulations are subject to change by an act of Congress or an administrative change mandated by HUD. Such changes may occur with little notice to inadequate funding to pay for the related cost, including the additional administrative burden to comply with a change.

C. Risk Management and Litigation

The Housing Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees, and natural disasters for

which it obtains coverage from commercial companies. The Housing Commission has had no settled claims resulting from these risks that exceed their commercial coverage in the current year or the three prior fiscal years.

D. Prior Period Adjustments, Equity Transfers and Correction of Errors

Low Rent Program

Refund from IRS for overpayment of 4th quarter 2003 payroll taxes	\$	272
Transfer completed 2002(50102) capital fund to low rent		<u>105,031</u>
	\$	<u>105,303</u>

Capital Fund Program

Transfer completed 2002 (50102) capital fund to low rent	\$ (<u>105,031)</u>
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Housing Choice Voucher Program

To distribute payable to HUD from FYE 06/30/05 per PIH Notice 2006-03	\$	<u>26,378</u>
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NOTE 8: SEGMENT INFORMATION

The Housing Commission maintains one Enterprise Fund that includes four separate programs which provide housing assistance and grant programs. Segment information for the year ended June 30, 2006, was as follows:

	<u>Low Rent Program</u>	<u>Capital Fund Program</u>	<u>Housing Choice Vouchers Program</u>	<u>CDBG Program</u>
Condensed Statement of Net Assets				
Current assets	\$ 387,150	\$ 8,849	\$221,220	\$18,330
Restricted cash	19,872		11,701	
Property & equip.	<u>2,074,840</u>	<u>221,883</u>		
Total assets	<u>\$ 2,481,862</u>	<u>\$ 230,732</u>	<u>\$232,921</u>	<u>\$18,330</u>
Current liabilities	\$ 120,759	\$ 8,849	\$ 26,432	\$19,335
Noncurrent liabilities	<u>2,680</u>		<u>990</u>	<u>1,003</u>
Total liabilities	<u>123,439</u>	<u>8,849</u>	<u>27,422</u>	<u>20,338</u>

	<u>Low Rent Program</u>	<u>Capital Fund Program</u>	<u>Housing Choice Vouchers Program</u>	<u>CDBG Program</u>
Condensed Statement of Net Assets (cont'd)				
Net assets:				
Invested in capital assets	2,074,840	221,883		
Unrestricted net assets	<u>283,583</u>	<u>221,883</u>	<u>205,499</u>	<u>(2,008)</u>
Total net assets	<u>2,358,423</u>	<u>221,883</u>	<u>205,499</u>	<u>(2,008)</u>
Total liabilities & net assets	<u>\$ 2,481,862</u>	<u>\$ 230,732</u>	<u>\$ 232,921</u>	<u>\$ 18,330</u>

**Condensed Statement of
Revenues, Expenses,
and Changes in Net
Assets**

Dwelling and nondwelling rents	\$ 326,599	\$	\$	\$
Depreciation	(202,361)	(18,617)		
Other operating expenses	<u>(539,478)</u>	<u>(31,676)</u>	<u>(892,427)</u>	<u>(74,388)</u>
Operating(loss)	<u>(415,240)</u>	<u>(50,293)</u>	<u>(892,427)</u>	<u>(74,388)</u>
Nonoperating revenues:				
Investment earnings	6,387			
Other income	77,976		394	
Fraud recovery			1,138	
Gain on sale of fixed assets	240			
Other government grants				89,311
Capital grants		160,234		
Operating grants	<u>155,686</u>	<u>31,676</u>	<u>1,056,675</u>	
Change in net assets	<u>(174,951)</u>	<u>141,617</u>	<u>165,780</u>	<u>14,923</u>
Beginning net assets	2,428,071	185,297	13,341	(16,931)
Prior period adjustments	<u>105,303</u>	<u>(105,031)</u>	<u>26,378</u>	
Ending net assets	<u>\$ 2,358,423</u>	<u>\$ 221,883</u>	<u>\$ 205,499</u>	<u>\$ (2,008)</u>

	Low Rent Program	Capital Fund Program	Housing Choice Vouchers Program	CDBG Program
Condensed Statement of Cash Flows				
Net cash provided (used) by:				
Operating activities	\$(238,071)	\$(31,676)	\$(892,901)	\$(73,127)
Noncapital financing activities	271,146	31,676	1,056,181	73,127
Capital and related financing activities	(16,182)			
Investing activities	503			
Net increase (decrease)	17,396		163,280	
Beginning cash and cash equivalents	159,467		57,940	
Ending cash and cash equivalents	<u>\$ 176,863</u>	<u>\$</u>	<u>\$ 221,220</u>	<u>\$</u>

SUPPLEMENTARY INFORMATION

TRAVERSE CITY HOUSING COMMISSION
COMBINING STATEMENT OF NET ASSETS
June 30, 2006
=====

	C-3084 Low Rent Program <u>14.850</u>	Capital Fund Program <u>14.872</u>
ASSETS		
Current assets:		
Cash	\$ 176,863	\$ 8,849
Accounts receivable-HUD		
Accounts receivable-other governments		
Accounts receivable-tenants	2,294	
Allowance for doubtful accounts	(918)	
Accrued interest receivable	2,485	
Investments-unrestricted	151,161	
Prepaid expenses and other assets	27,500	
Due from other programs	<u>27,765</u>	
Total current assets	<u>387,150</u>	<u>8,849</u>
Restricted cash	<u>19,872</u>	
Property, plant, and equipment:		
Land	297,665	
Buildings	5,013,112	186,189
Equipment	272,418	36,782
Building improvements	<u>203,496</u>	<u>18,566</u>
	5,786,691	241,537
Less accumulated depreciation	<u>(3,711,851)</u>	<u>(19,654)</u>
Net property, plant and equipment	<u>2,074,840</u>	<u>221,883</u>
Total Assets	<u>\$ 2,481,862</u>	<u>\$ 230,732</u>

Housing Choice Vouchers <u>14.871</u>	CDBG Program <u> </u>	<u>Totals</u>
\$ 221,220	\$	\$ 398,083
		8,849
	8,479	8,479
		2,294
		(918)
		2,485
		151,161
		27,500
<u> </u>	<u>9,851</u>	<u>37,616</u>
<u>221,220</u>	<u>18,330</u>	<u>635,549</u>
<u>11,701</u>	<u> </u>	<u>31,573</u>
		297,665
		5,199,301
2,933		312,133
<u>2,933</u>	<u> </u>	<u>222,062</u>
(2,933)	<u> </u>	6,031,161
		(3,734,438)
<u> </u>	<u> </u>	<u>2,296,723</u>
<u>\$ 232,921</u>	<u>\$ 18,330</u>	<u>\$ 2,963,845</u>

TRAVERSE CITY HOUSING COMMISSION
COMBINING STATEMENT OF NET ASSETS (CONTINUED)
June 30, 2006
=====

	C-3084 Low Rent Program <u>14.850</u>	Capital Fund Program <u>14.872</u>
LIABILITIES and NET ASSETS		
Current liabilities:		
Accounts payable-trade	\$ 17,959	\$
Accounts payable-other government	16,428	
Tenant security deposit liability	31,261	
Accrued expenses	19,907	
Accrued liabilities-other	19,872	
Deferred revenues	5,481	
Due to other programs	<u>9,851</u>	<u>8,849</u>
Total current liabilities	120,759	8,849
Noncurrent liabilities:		
Accrued compensated absences	<u>2,680</u>	
Total liabilities	<u>123,439</u>	<u>8,849</u>
Net Assets:		
Invested in capital assets	2,074,840	221,883
Unrestricted net assets	<u>283,583</u>	
Total net assets	<u>2,358,423</u>	<u>221,883</u>
Total Liabilities and Net Assets	<u>\$2,481,862</u>	<u>\$ 230,732</u>

Housing Choice Vouchers <u>14,871</u>	CDBG Program <u> </u>	<u>Totals</u>
\$ 1,071	\$ 143	\$ 19,173
		16,428
		31,261
7,594	6,342	33,843
11,701		31,573
		5,481
<u>6,066</u>	<u>12,850</u>	<u>37,616</u>
26,432	19,335	175,375
<u>990</u>	<u>1,003</u>	<u>4,673</u>
<u>27,422</u>	<u>20,338</u>	<u>180,048</u>
<u>205,499</u>	<u>(2,008)</u>	<u>2,296,723</u>
		<u>487,074</u>
<u>205,499</u>	<u>(2,008)</u>	<u>2,783,797</u>
<u>\$ 232,921</u>	<u>\$ 18,330</u>	<u>\$ 2,963,845</u>

TRAVERSE CITY HOUSING COMMISSION
COMBINING STATEMENT OF ACTIVITIES
 Year Ended June 30, 2006
 =====

	C-3084 Low Rent Program <u>14.850</u>	Capital Fund Program <u>14.872</u>
OPERATING REVENUES:		
Dwelling rent	\$ 326,140	\$
Nondwelling rent	<u>459</u>	
Total operating revenues	<u>326,599</u>	
OPERATING EXPENSES:		
Administration	122,884	
Tenant services	4,808	
Utilities	148,686	
Ordinary maintenance and operation	213,142	31,676
General expenses	49,958	
Housing assistance payments		
Depreciation	<u>202,361</u>	<u>18,617</u>
Total operating expenses	<u>741,839</u>	<u>50,293</u>
Operating income(loss)	<u>(415,240)</u>	<u>(50,293)</u>
NONOPERATING REVENUES:		
Investment interest income	6,387	
Other income	77,976	
Fraud recovery		
Gain on sale of fixed assets	240	
Other government grants		
Capital grants		160,234
Operating grants	<u>155,686</u>	<u>31,676</u>
Total nonoperating revenues	<u>240,289</u>	<u>191,910</u>
Change in net assets	(174,951)	141,617
Net assets, beginning	2,428,071	185,297
Prior period adjustments, equity transfers and correction of errors	<u>105,303</u>	<u>(105,031)</u>
Net assets, ending	<u>\$2,358,423</u>	<u>\$ 221,883</u>

Housing Choice Vouchers <u>14.871</u>	CDBG Program <u> </u>	Totals <u> </u>
\$	\$	\$ 326,140
<u> </u>	<u> </u>	<u>459</u>
<u> </u>	<u> </u>	<u>326,599</u>
92,592	74,388	289,864
		4,808
		148,686
		244,818
402		50,360
799,433		799,433
<u> </u>	<u> </u>	<u>220,978</u>
<u>892,427</u>	<u>74,388</u>	<u>1,758,947</u>
<u>(892,427)</u>	<u>(74,388)</u>	<u>(1,432,348)</u>
		6,387
394		78,370
1,138		1,138
		240
	89,311	89,311
		160,234
<u>1,056,675</u>	<u> </u>	<u>1,244,037</u>
<u>1,058,207</u>	<u>89,311</u>	<u>1,579,717</u>
165,780	14,923	147,369
13,341	(16,931)	2,609,778
<u>26,378</u>	<u> </u>	<u>26,650</u>
<u>\$ 205,499</u>	<u>\$ (2,008)</u>	<u>\$ 2,783,797</u>

TRAVERSE CITY HOUSING COMMISSION
COMBINING STATEMENT OF CASH FLOWS
 Year Ended June 30, 2006

	C-3084 Low Rent Program <u>14.850</u>	Capital Fund Program <u>14.872</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from dwelling and nondwelling rents	\$ 324,736	\$
Cash payments to other suppliers of goods and services	(359,408)	(31,676)
Cash payments to employees for services	(181,816)	
Cash payments for in lieu of taxes	<u>(21,583)</u>	
Net cash (used) by operating activities	<u>(238,071)</u>	<u>(31,676)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Tenant security deposits	(2,467)	
FSS deposits	192	
Due from/to other funds	39,759	(29,815)
Fraud recovery		
Operating grants	155,686	61,491
Other revenue	77,976	
Other government grants		
Net cash provided by noncapital financing activities	<u>271,146</u>	<u>31,676</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Gain on sale of fixed assets	240	
Capital grants		160,234
Payments for capital acquisitions	<u>(16,422)</u>	<u>(160,234)</u>
Net cash (used) by capital and related financing activities	<u>(16,182)</u>	
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment purchases	(3,570)	
Receipts of interest and dividends	<u>4,073</u>	
Net cash provided by investing activities	<u>503</u>	
Net increase(decrease) in cash	17,396	
Cash, beginning	<u>159,467</u>	
Cash, ending	<u>\$ 176,863</u>	<u>\$</u>

Housing Choice Vouchers 14.871	CDBG Program	Totals
\$	\$	\$ 324,736
(825,803)	(8,322)	(1,225,209)
(67,098)	(64,805)	(313,719)
		(21,583)
(892,901)	(73,127)	(1,235,775)
		(2,467)
212		404
(2,239)	(7,705)	
1,138		1,138
1,056,676		1,273,853
394		78,370
	80,832	80,832
1,056,181	73,127	1,432,130
		240
		160,234
		(176,656)
		(16,182)
		(3,570)
		4,073
		503
163,280		180,676
57,940		217,407
\$ 221,220	\$	\$ 398,083

TRAVERSE CITY HOUSING COMMISSION
COMBINING STATEMENT OF CASH FLOWS (CONTINUED)
 Year Ended June 30, 2006
 =====

C-3084	Capital
Low Rent	Fund
Program	Program
<u>14.850</u>	<u>14.872</u>

**RECONCILIATION OF CASH AND CASH
 EQUIVALENTS PER STATEMENT OF CASH
 FLOWS TO THE BALANCE SHEET:**

Cash and cash equivalents per balance sheet	\$ 176,863	\$
Restricted cash	19,872	
Investments-unrestricted	<u>151,161</u>	<u> </u>
	<u>\$ 347,896</u>	<u>\$</u>

**SCHEDULE RECONCILING OPERATING INCOME
 TO NET CASH FLOW FROM OPERATING
 ACTIVITIES:**

Operating income(loss)	\$ (415,240)	\$ (50,293)
Adjustments to reconcile operating (loss) to net cash(used in) operating activities:		
Depreciation	202,361	18,617
Bad debt allowance	(223)	
Adjustments	272	
Changes in assets and liabilities:		
(Increase) decrease in assets:		
Accounts receivable-tenants	185	
Prepaid expenses	(1,191)	
Increase (decrease) in liabilities:		
Accounts payable	(22,832)	
Accrued wage/payroll taxes payable	1,293	
Accrued compensated absences	4,699	
Accrued payments in lieu of taxes	(5,155)	
Accrued liabilities	(192)	
Deferred revenues	(2,048)	
Net cash (used) by operating activities	<u>\$ (238,071)</u>	<u>\$ (31,676)</u>

Housing Choice Vouchers 14.871	CDBG Program	Totals
\$ 221,220 11,701	\$	\$ 398,083 31,573 151,161
\$ 232,921	\$	\$ 580,817
\$ (892,427)	\$ (74,388)	\$ (1,432,348)
		220,978 (223) 272
		185 (1,191)
442	(78)	(22,468)
(782) 78	269 1,070	780 5,847
(212)		(5,155) (404) (2,048)
\$ (892,901)	\$ (73,127)	\$ (1,235,775)

TRAVERSE CITY HOUSING COMMISSION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND NOTES TO THE SCHEDULE OF FEDERAL AWARDS
 Year Ended June 30, 2006
 =====

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Fiscal Year	Federal Grantor	CFDA No.	Expenditures
	<u>U.S. Department of HUD</u>		
	<u>Public and Indian Housing Nonmajor - Direct Program</u>		
2006	Low Rent Public Housing	14.850	\$ 155,686
	<u>Public and Indian Housing Nonmajor - Direct Program</u>		
2006	Capital Fund Program	14.872	191,910
	<u>Low Income Public Housing Major - Direct Program</u>		
2006	Housing Choice Vouchers	14.871	<u>1,056,675</u>
	Total		<u>\$1,404,271</u>

NOTES TO THE SCHEDULE OF FEDERAL AWARDS

NOTE 1: Significant Accounting Policies

The schedule of federal awards has been prepared on the accrual basis of accounting.

CFDA = Catalog of Federal Domestic Assistance

TRAVERSE CITY HOUSING COMMISSION

FINANCIAL DATA SCHEDULE

Year Ended June 30, 2006

=====

FDS Line Item No.		C-3084 Low Rent Program <u>14,850</u>	Capital Fund Program <u>14,872</u>
	ASSETS		
	Current Assets:		
	Cash:		
111	Cash-unrestricted	\$ 176,863	\$
113	Cash-other restricted	<u>19,872</u>	
100	Total cash	<u>196,735</u>	
	Receivables:		
122	A/R-HUD other projects		8,849
124	A/R-other government		
126	A/R-tenants-dwelling rents	2,294	
126.1	Allowance for doubtful accounts	(918)	
129	Accrued interest receivable	<u>2,485</u>	
120	Total receivables, net of allowance for doubtful accounts	<u>3,861</u>	<u>8,849</u>
	Investments:		
131	Investments-unrestricted	<u>151,161</u>	
	Other Current Assets:		
142	Prepaid expenses and other assets	27,500	
144	Interprogram due from	<u>27,765</u>	
	Total other current assets	<u>55,265</u>	
150	Total current assets	<u>407,022</u>	<u>8,849</u>
	Noncurrent Assets:		
	Fixed Assets:		
161	Land	297,665	
162	Buildings	5,013,112	186,189
163	Furn, equip & mach-dwellings	100,553	6,529
164	Furn, equip & mach-admin.	171,865	30,253
165	Building improvements	203,496	18,566
166	Accumulated depreciation	<u>(3,711,851)</u>	<u>(19,654)</u>
160	Total fixed assets, net of accumulated depreciation	<u>2,074,840</u>	<u>221,883</u>
180	Total noncurrent assets	<u>2,074,840</u>	<u>221,883</u>
190	Total Assets	<u>\$ 2,481,862</u>	<u>\$230,732</u>

Housing Choice Vouchers 14.871	CDBG Program	Totals
\$ 221,220	\$	\$ 398,083
<u>11,701</u>		<u>31,573</u>
<u>232,921</u>		<u>429,656</u>
		8,849
	8,479	8,479
		2,294
		(918)
		<u>2,485</u>
	<u>8,479</u>	<u>21,189</u>
		<u>151,161</u>
		27,500
	9,851	<u>37,616</u>
	9,851	<u>65,116</u>
	<u>18,330</u>	<u>667,122</u>
		297,665
		5,199,301
		107,082
2,933		205,051
		222,062
(2,933)		<u>(3,734,438)</u>
		<u>2,296,723</u>
		<u>2,296,723</u>
<u>\$ 232,921</u>	<u>\$ 18,330</u>	<u>\$ 2,963,845</u>

TRAVERSE CITY HOUSING COMMISSION
FINANCIAL DATA SCHEDULE (CONTINUED)
 Year Ended June 30, 2006
 =====

FDS Line Item No.		C-3084 Low Rent Program <u>14.850</u>	Capital Fund Program <u>14.872</u>
LIABILITIES and NET ASSETS			
	Liabilities:		
	Current Liabilities:		
312	Accounts payable<=90 days	\$ 17,959	\$
321	Accrued wage/payroll taxes payable	6,690	
322	Accrued compensated absences	13,217	
333	Accounts payable-other government	16,428	
341	Tenant security deposits	31,261	
342	Deferred revenues	5,481	
346	Accrued liabilities-other	19,872	
347	Interprogram due to	<u>9,851</u>	<u>8,849</u>
310	Total current liabilities	120,759	8,849
	Noncurrent Liabilities:		
354	Accrued compensated absences	<u>2,680</u>	
300	Total liabilities	<u>123,439</u>	<u>8,849</u>
	Net Assets:		
508.1	Invested in capital assets	<u>2,074,840</u>	<u>221,883</u>
508	Total invested in capital assets	2,074,840	221,883
512.1	Unrestricted net assets	<u>283,583</u>	
513	Total Net Assets	<u>2,358,423</u>	<u>221,883</u>
600	Total Liabilities and Net Assets	<u>\$ 2,481,862</u>	<u>\$230,732</u>

Housing Choice Vouchers <u>14.871</u>	CDBG Program <u> </u>	<u>Totals</u>
\$ 1,071	\$ 143	\$ 19,173
2,109	2,157	10,956
5,485	4,185	22,887
		16,428
		31,261
		5,481
11,701		31,573
<u>6,066</u>	<u>12,850</u>	<u>37,616</u>
26,432	19,335	175,375
<u>990</u>	<u>1,003</u>	<u>4,673</u>
<u>27,422</u>	<u>20,338</u>	<u>180,048</u>
<u> </u>	<u> </u>	<u>2,296,723</u>
		2,296,723
<u>205,499</u>	<u>(2,008)</u>	<u>487,074</u>
<u>205,499</u>	<u>(2,008)</u>	<u>2,783,797</u>
<u>\$ 232,921</u>	<u>\$ 18,330</u>	<u>\$ 2,963,845</u>

TRAVERSE CITY HOUSING COMMISSION
FINANCIAL DATA SCHEDULE (CONTINUED)
Year Ended June 30, 2006

=====

FDS Line Item No.		C-3084 Low Rent Program 14.850	Capital Fund Program 14.872
	Revenue:		
703	Net tenant rental revenue	\$ 326,140	\$
704	Tenant revenue-other	459	
705	Total tenant revenue	326,599	
706	HUD PHA grants	155,686	31,676
706.1	Capital grants		160,234
708	Other government grants		
711	Investment income-unrestricted	6,387	
714	Fraud recovery		
715	Other revenue	77,976	
716	Gain on sale of fixed assets	240	
700	Total revenue	566,888	191,910
	Expenses:		
	Administrative:		
911	Administrative salaries	63,211	
912	Auditing fees	3,900	
914	Compensated absences	4,699	
915	Employee benefit contributions	18,244	
916	Other operating-administrative	32,830	
	Tenant Services:		
924	Tenant services-other	4,808	
	Utilities:		
931	Water	23,242	
932	Electricity	108,281	
933	Gas	17,163	
	Ordinary maintenance and operation:		
941	Ordinary maint & oper-labor	83,225	
942	Ordinary maint & oper-mat'ls & other	12,743	713
943	Ordinary maint & oper-contract costs	94,046	30,963
945	Employee benefit contributions	23,128	
	General expenses:		
961	Insurance premiums	31,100	
962	Other general expenses		
963	Payments in lieu of taxes	16,428	
964	Bad debt - tenant rents	2,430	
969	Total operating expenses	539,478	31,676

Housing Choice Vouchers 14.871	CDBG Program	Totals
	\$	\$ 326,140
		459
		326,599
1,056,675		1,244,037
		160,234
	89,311	89,311
		6,387
1,138		1,138
394		78,370
		240
<u>1,058,207</u>	<u>89,311</u>	<u>1,906,316</u>
51,406	52,354	166,971
1,100		5,000
79	1,070	5,848
14,988	13,790	47,022
25,019	7,174	65,023
		4,808
		23,242
		108,281
		17,163
		83,225
		13,456
		125,009
		23,128
		31,100
402		402
		16,428
		2,430
<u>92,994</u>	<u>74,388</u>	<u>738,536</u>

TRAVERSE CITY HOUSING COMMISSION
FINANCIAL DATA SCHEDULE (CONTINUED)
 Year Ended June 30, 2006

=====

FDS Line Item No.		C-3084 Low Rent Program <u>14.850</u>	Capital Fund Program <u>14.872</u>
970	Excess operating revenue over operating expenses	<u>27,410</u>	<u>160,234</u>
	Expenses continued:		
	Other expenses:		
973	Housing assistance payments		
974	Depreciation expense	<u>202,361</u>	<u>18,617</u>
	Total other expenses	<u>202,361</u>	<u>18,617</u>
900	Total expenses	<u>741,839</u>	<u>50,293</u>
1000	Excess (deficiency) of operating revenue over(under) expenses	(174,951)	141,617
1103	Beginning Net Assets	2,428,071	185,297
1104	Prior period adjustments, equity transfers and correction of errors	<u>105,303</u>	<u>(105,031)</u>
	Ending Net Assets	<u>\$ 2,358,423</u>	<u>\$ 221,883</u>

Housing Choice Vouchers <u>14.871</u>	CDBG Program <u> </u>	<u>Totals</u>
<u>965,213</u>	<u>14,923</u>	<u>1,167,780</u>
799,433		799,433
<u>799,433</u>	<u> </u>	<u>220,978</u>
<u>892,427</u>	<u>74,388</u>	<u>1,020,411</u>
165,780	14,923	147,369
13,341	(16,931)	2,609,778
<u>26,378</u>	<u> </u>	<u>26,650</u>
<u>\$ 205,499</u>	<u>\$ (2,008)</u>	<u>\$ 2,783,797</u>

**Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an
Audit of Financial Statements Performed in Accordance
with Government Auditing Standards**

Board of Housing Commissioners
Traverse City Housing Commission
Traverse City, Michigan

I have audited the financial statements of the business-type activities of the Traverse City Housing Commission, Michigan, (Housing Commission) as of and for the year ended June 30, 2006, which collectively comprise the Housing Commission's basic financial statements and have issued my report thereon dated November 1, 2006. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the Housing Commission's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Housing Commission's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on

Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Based on an
Audit of Financial Statements Performed in Accordance
with *Government Auditing Standards*
Traverse City Housing Commission
Page Two

Compliance and Other Matters (continued)

compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, I noted certain matters that I reported to management of the Housing Commission, in a separate letter dated November 27, 2006.

This report is intended solely for the information and use of the audit committee, management, Board of Housing Commissioners, the Michigan Department of Treasury, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Bary E. Standell, CPA

November 27,, 2006

**Report on Compliance with Requirements
Applicable To Each Major Program and
Internal Control over Compliance
in Accordance with OMB Circular A-133**

Board of Housing Commissioners
Traverse City Housing Commission
Traverse City, Michigan

Compliance

I have audited the compliance of the Traverse City Housing Commission, Michigan, (Housing Commission) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2006. The Housing Commission's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Housing Commission's management. My responsibility is to express an opinion on the Housing Commission's compliance based on my audit.

I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Housing Commission's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination of the Housing Commission's compliance with those requirements.

Report on Compliance with Requirements
Applicable to Each Major Program and
Internal Control Over Compliance in
Accordance with OMB Circular A-133
Traverse City Housing Commission
Page Two

Compliance (continued)

In my opinion, the Housing Commission complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006.

Internal Control Over Compliance

The management of the Housing Commission is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing my audit, I considered the Housing Commission's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

My consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over compliance and its operation that I consider to be material weaknesses. I have noted other matters involving the internal control over financial reporting that I have reported to management of the Housing Commission in a separate letter dated November 27, 2006.

This report is intended solely for the information and use of the audit committee, management, Board of Housing Commissioners, the Michigan Department of Treasury, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Bary Stawicki D.P.R.

November 27, 2006

TRAVERSE CITY HOUSING COMMISSION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2006
=====

A. Summary of Audit Results

Financial Statements

1. Type of Auditor's Report issued: Unqualified
2. Internal control over financial reporting:
 - a. Material weakness identified No
 - b. Reportable condition identified that is not a material weakness No
3. Noncompliance material to financial statements: No

Federal Awards

1. Internal control over major programs:
 - a. Material weakness identified No
 - b. Reportable condition that is not a material weakness No
2. Type of auditor's report issued on compliance for major programs Unqualified
3. Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133 No
4. Identification of major programs:

<u>CFDA</u> <u>Number</u>	<u>Federal Program</u>	<u>Amount</u> <u>Expended</u>	<u>Major</u> <u>Program</u>	<u>Compliance</u> <u>Requirement</u>	<u>Questioned</u> <u>Costs</u>	<u>Audit</u> <u>Finding</u>
14.850	Low Rent Public Housing	\$ 155,686	No	O	N/A	N/A
14.872	Capital Fund Program	191,910	No	O	N/A	N/A
14.871	Housing Choice Vouchers	<u>1,056,675</u>	Yes	O	N/A	N/A
Total		<u>\$1,404,271</u>				

5. Dollar threshold used to distinguish between type A and type B programs \$300,000
6. Auditee qualified as low-risk auditee? Yes

TRAVERSE CITY HOUSING COMMISSION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
June 30, 2006

=====

B.	Financial Statement Findings	None
C.	Federal Award Findings and Questioned Costs	None

TRAVERSE CITY HOUSING COMMISSION
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
June 30, 2006
=====

NONE

TRAVERSE CITY HOUSING COMMISSION
ADJUSTING JOURNAL ENTRIES
 JUNE , 2006

=====

FDS				
<u>Line Number</u>	<u>Account Name</u>		<u>Debit</u>	<u>Credit</u>
LOW RENT PROGRAM:				
		-1-		
333	Accounts payable-PILOT		\$ 3,722.52	
963	PILOT			\$ 3,722.52
		-2-		
704	Tenant revenues-other		28,984.53	
715	Other income			28,984.53

TRAVERSE CITY HOUSING COMMISSION

INDEPENDENT AUDITORS' REPORTS
ON COMMUNICATIONS WITH THE
AUDIT COMMITTEE/BOARD OF COMMISSIONERS
AND
MANAGEMENT ADVISORY COMMENTS

JUNE 30, 2006

TRAVERSE CITY HOUSING COMMISSION
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JUNE 30, 2006

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Management Advisory Comments	4-5
Adjusting Journal Entries	6

**INDEPENDENT AUDITORS' REPORT ON
COMMUNICATIONS WITH THE AUDIT COMMITTEE/
BOARD OF COMMISSIONERS**

To the Board of Commissioners
Traverse City Housing Commission

I have audited the financial statements of the Traverse City Housing Commission ("Housing Commission") as of and for the year ended June 30, 2006, and have issued my report, thereon, dated November 27, 2006. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I communicate certain matters to your audit committee or its equivalent. These communications are reported in the following paragraphs.

Auditors' Responsibilities Under Auditing Standards Generally Accepted in the United States of America - In planning and performing my audit of the financial statements, I considered your internal control in order to determine my auditing procedures for purposes of expressing my opinion on the financial statements and not to provide assurance on your internal control. Also, an audit conducted under auditing standards generally accepted in the United States of America is designed to obtain a reasonable, rather than absolute, assurance about the financial statements.

Significant Accounting Policies - The significant accounting policies used in the preparation of your financial statements are discussed in Note 1 to the financial statements. There were two audit adjusting journal entries and no controversial accounting issues.

Management Judgments and Accounting Estimates - Significant management judgments and accounting estimates are disclosed in the notes to the financial statements.

Other Information in Documents Containing Audited Financial Statements - All the information included in the financial statements document has been audited and our responsibilities are addressed in the Independent Auditors' Report.

**INDEPENDENT AUDITORS' REPORT ON COMMUNICATIONS WITH THE
AUDIT COMMITTEE - CONTINUED**

Audit Adjustments - For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in my judgment, may not have been detected except through my auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the Housing Commission's financial reporting process (that is, cause future financial statements to be materially misstated). The attached audit adjustments, in my judgment, indicate matters that could have a significant effect on the Housing Commission's financial reporting process (see page 6 showing the audit adjusting journal entries).

Disagreements With Management - For purposes of this letter, professional accounting standards define disagreement with management as a matter concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditors' report. I am pleased to report that no such disagreements arose during the audit.

Consultations With Other Accountants - To my knowledge, management has not consulted with other accountants regarding auditing and accounting matters.

Major Issues Discussed With Management Prior to Retention - There was no discussions regarding the application of accounting principles or auditing standards with management prior to my retention as your auditor.

Difficulties Encountered in Performing the Audit - There were no difficulties encountered in performing the audit. The staff was very cooperative and helpful.

This report is intended solely for the information and use of the audit committee or its equivalent and management and is not intended to be and should not be used by anyone other than these specified parties.

I shall be pleased to discuss any of the matters referred to in this letter. Should you desire more information on the above communications, I would welcome the opportunity to discuss them with you.

Rory E. Audette, CPA, PC

November 27, 2006

Barry E. Gaudette, CPA, P.C.

CERTIFIED PUBLIC ACCOUNTANT

1107 East Eighth Street
Traverse City, Michigan 49686
(231) 946-8930
Fax (231) 946-1377

**INDEPENDENT AUDITORS' REPORT ON
MANAGEMENT ADVISORY COMMENTS**

To the Board of Commissioners
Traverse City Housing Commission

I have audited the financial statements of the Traverse City Housing Commission ("Housing Commission") as of and for the year ended June 30, 2006, and have issued my report, thereon, dated November 27, 2006. I have also issued compliance reports and reports on the internal control in accordance with *Government Auditing Standards*. These reports disclosed no material instances of noncompliance, weaknesses and reportable conditions.

Other matters involving the Housing Commission's operations and internal control, which came to my attention during the audit, are reported on the following pages as management advisory comments.

I would like to take this opportunity to acknowledge the many courtesies extended to me by the Housing Commission's personnel during the course of my work.

I shall be pleased to discuss any of the matters referred to in this letter. Should you desire assistance in implementing any of the following suggestions, I would welcome the opportunity of assisting you in these matters.

Barry E. Gaudette, CPA, P.C.

November 27, 2006

TRAVERSE CITY HOUSING COMMISSION
MANAGEMENT ADVISORY COMMENTS

June 30, 2006

=====

Revenues

It should be noted that I did not identify improper revenue recognition as a fraud risk for the following reasons:

- * The Housing Commission uses software for its Tenant Accounting.
- * The Housing Commission does not accept cash for the payment of rents.
- * There is segregation of duties between the collection of rents, the preparation of deposit tickets, and the deposit in the bank.
- * The Executive Director compares the deposit ticket and bank receipt to the batch reports and receipts.

Invoice Approval

The Housing Commission has adequate internal controls for the payment of invoices. The disbursement checks are prepared by someone other than a check signer. The Executive Director reviews and marks the invoice before signing the checks. A Commissioner also, reviews the documentation supporting the payment before signing the second signature. At the Boards monthly meeting, the Board will review a listing of paid checks and then approve the payments.

The Michigan Department of Treasury requires that the board approve all invoices prior to payment unless addressed otherwise in the charter. The board may establish a formal policy to authorize payments prior to approval to avoid finance or late charges and to pay appropriated amounts and payroll (including related payroll taxes and withholdings). This policy must be very limited and a list of payments made prior to approval must be presented to the board for approval.

TRAVERSE CITY HOUSING COMMISSION
MANAGEMENT ADVISORY COMMENTS
June 30, 2006

=====

Tenant Files

We selected at random seven(7) low rent and eight(8) Housing Choice Voucher tenant files to thoroughly test. The results are as follows:

Low Rent Program

There were 2 tenant files missing the annual Privacy Act Notice, 1 with the income verification not matching what was used, 1 inspection report was missing, 5 picture ID's were missing, and 2 were missing social security card copies.

The Housing Commission was obtaining picture ID's at one time then stopped for awhile because at a seminar it was understood that they are not required, but recently the Housing Commission has begun obtaining copies of the picture ID's again.

The Housing Commission needs to concentrate on obtaining any missing documentation at the annual reexamination or interim reviews.

Housing Choice Voucher Program

There were 2 tenant files that had the incorrect income verification, 1 was missing the inspection report, 6 were missing the picture ID's, 4 were missing copies of the social security cards, 1 was missing the citizenship declaration, 2 were missing the rent reasonable test, and 1 was missing the HAP contract and lease addendum.

The rent reasonable test, correct tenant rent calculations, and annual HQS inspections are three(3) of the fourteen(14) indicators that make up the Section Eight Management Assessment Program (SEMAP) that determines whether the Housing Commission has an overall performance rating of *high, standard, or troubled*.

The other missing items are required by HUD to be in the tenant files.

Again, the Housing Commission needs to concentrate on obtaining any missing documentation at the annual reexamination or interim reviews.

TRAVERSE CITY HOUSING COMMISSION

ADJUSTING JOURNAL ENTRIES

June 30, 2006

=====

FDS				
<u>Line Number</u>	<u>Account Name</u>		<u>Debit</u>	<u>Credit</u>

LOW RENT PROGRAM:

		-1-		
333	Accounts payable-PILOT		\$ 3,722.52	
963	PILOT			\$ 3,722.52

		-2-		
704	Tenant revenues-other		28,984.53	
715	Other income			28,984.53